# REMARKS

**A.** **The Rejection of claims 1-3 under 35 U.S.C. 103(a) as allegedly being unpatentable over McCabe (US 6,068,192) in view of Neustein (US 5,192,947)**

Before addressing the teachings of McCabe, it is believed that a brief review of the teachings of the present invention, as they relate to claims 1-10, will prove helpful.

As stated in the Field of The Invention at page 1 of the specification, the "present invention is in the field of methods for making payments through payment cards." As noted in the Background of the Invention, at page 4 of the specification, "there is a very real, long-felt need to reduce the amount of fraudulent activity that is associated with credit cards, and this need has only grown more acute as consumers and commerce search for better ways to purchase and sell goods and services via e-commerce and m-commerce." Claims 1-10 of the present invention address this need, and as stated in the first paragraph of the Summary of the Invention, at page 6 of the Specification, the present invention "is generally directed to a method for transferring a data packet from a user of an electronic card to a money source as part of a payment card transaction. The data packet is stored by an encoder in a magnetic storage medium, which is preferably a second track of a magnetic stripe, read by a standard magnetic stripe reader and submitted to a money source as part of data packet submitted for approval of a given payment card transaction."

Claim 1 requires that a data packet is stored in a magnetic storage medium of the electronic card that can be read by a standard magnetic stripe reader, that the standard magnetic stripe reader reads the data packet as part of a given payment card transaction and that the data packet is submitted to the money source, along with a user identifier and payment card number, for approval of a given payment card transaction. Key to claim 1, and to an understanding of Applicants' claimed invention, is the data packet. The data packet **is not** the payment card number, it is something different; furthermore, claim 1 makes this distinction by reciting the payment card number as a different element from the data packet.

Turning now to the rejection of claim 1, which is respectfully traversed, the Office Action characterizes McCabe, as it is applied to claim 1, as follows:

"McCabe shows (column 5, lines 45-50) an electronic card that in addition has multiple electronic stripes. There is an account number (column 4, 54) on the card. It is clear that if the card is to be used in swipe transactions, as is typical, this number must also be stored in the stripe, although it is not explicitly stated. The card is a credit card type (column 5, lines 60-65). Therefore each transaction request must submit data, including the account number, to a money source for approval of the payment card transaction. There is a data packet therefore that includes at least the credit card number."

Applicants must respectfully disagree with, and dispute, the Office Action's characterization of McCabe in terms of equating the credit card number as part of a data packet, especially since claim 1 recites the payment card number as being separate from the data packet. Moreover, even accepting such characterization at face value for the sake of argument, without any regard to the other teachings of McCabe, this does not meet the language of claim 1 of the present invention in which the data packet is stored in a magnetic storage medium of the electronic card that can be read by a standard magnetic stripe reader as part of a payment card transaction. There is no such teaching in McCabe. Instead, McCabe merely teaches what is known in the prior art, namely, that data, including an account number, may be stored in a magnetic stripe of a card used in credit card transactions, and such information may be read by a magnetic stripe card reader, in the same manner as occurs hundreds of millions of times each day.

The conformity of McCabe with conventional magnetic stripe technology is emphasized by McCabe's reference to ISO standards and conventional two read-only magnetic tracks, and one read-write magnetic track (see column 5, lines 48-56 and claims 5, 16, 29 and 30). Thus, although McCabe states that its "smart cards" can be used as credit or debit cards, column 10, lines 47-48, the only teaching regarding use of its "smart cards" as credit cards relies upon conventional magnetic stripe technology that is included as an add-on to McCabe's "smart cards." In other words, the magnetic stripes taught by McCabe are to be used in the same manner as magnetic stripes found in conventional cards, and there is no teaching or suggestion that an individualized data packet can be stored in McCabe's magnetic stripe or that any memory in McCabe's

"smart card" can be read by a standard magnetic stripe reader as part of conventional payment card transaction. All McCabe teaches is that it is useful to graft the traditional magnetic stripe onto its "smart cards" so that the cards can also function as a credit card, albeit not due to the characteristics of the card that make it a "smart card."

McCabe's failure to address the concept of transferring a data packet from a user of an electronic card to a money source as part of a payment card transaction by storing the data packet in a magnetic storage medium of the electronic card that can be read by a standard magnetic stripe reader is not surprising given that McCabe is addressed to the technical field of smart cards (col. 1, line 14), not credit cards.[1] Rather than focusing on, or teaching how its "smart card" can be used as a credit card, McCabe notes that its invention provides a smart card which includes a power supply and a random access memory in a common housing in a manner such that the power supply will be interrupted, and the data will be lost, if an unauthorized individual attempts to gain access to data in the random access memory (col. 3, lines 25-29). While this provides a measure of security to the "smart card" described by McCabe, it is a far cry from the teaching of Applicant's claimed invention in which it is critical that the data packet is stored in a magnetic storage medium of the electronic card that can be read by a standard magnetic stripe reader as part of a payment card transaction.

Thus, in sum, not only does McCabe fail to show the transmission of either a user id or a data packet that is separate from the credit account number, as noted in the Office Action, McCabe also fails to show the data packet is stored in a magnetic storage medium of the electronic card that can be read by a standard magnetic stripe reader as part of a payment card transaction. Nor is this deficiency cured by Neustein.

Neustein "relates to a low cost, low power consumption pager apparatus which includes intelligence capabilities. The pager can be formed in sufficiently small size to be also used as a credit card and can then include account identification means on the apparatus." Col. 1, lines 6-10. However, like McCabe, Neustein does not disclose nor

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[1] As noted in another cited reference, Gutman, "smart card technology is different from ... magnetic stripe card technology such that a conventional magnetic stripe card is normally not supported by a smartcard reader and a smartcard is, likewise, not supported by the vast existing stable infrastructure of the magnetic stripe card readers." Gutman, col. 2, lines 39-41.

suggest storing a data packet in a magnetic storage medium that can be read by a standard magnetic stripe reader **as part of a payment card transaction.** All Neustein teaches, at least with respect to subject of magnetic strips that can be used as a credit card and read by a magnetic strip reader, is that such strips can contain additional information, such as a phone number. However, card readers have read other information than an account number, such as an expiration date, for some time. The critical point here, in terms of Applicants' invention, is that Applicants store the data packet dynamically, that is, as part of a payment card transaction. This is not disclosed nor suggested by either reference, and combining the two references still cannot add what both references lack.

Applicants also respectfully traverse the rejections of claims 2 and 3, for the same reasons that the rejection of claim 1 is traversed. Moreover, in that the Office Action, at page 4, the first paragraph, admits that "McCabe as modified by Neustein fails to show that the data pack is generated within the processor and then conveyed to the magnetic stripe," there is no basis for an obviousness rejection of these claims.

**B.    The Rejection of Claim 4 under 35 U.S.C. 103(a) as allegedly being unpatentable over McCabe as modified by Neustein as applied to claim 1, in further view of Gutman et al (US 5,834,756)**

Applicants respectfully traverse this rejection for the same reason that the rejection of claim 1 is traversed.

**C.    The Rejection of Claims 5-6 under 35 U.S.C. 103(a) as allegedly being unpatentable over McCabe (US 6,068,192) as modified by Neustein and Gutman as applied to claim 4, in further view of Lamensdorf (US 5,568,121)**

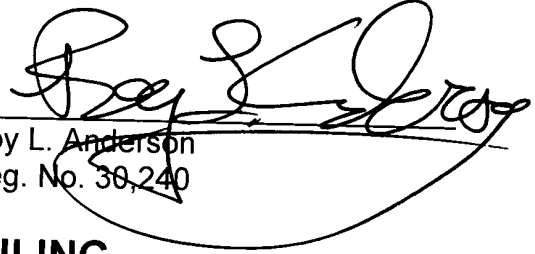Applicants respectfully traverse this rejection for the same reason that the rejection of claim 1 is traversed.

Second, check no. 1050 in the amount of $502.00 is submitted herewith to pay the $460.00 fee for a three month extension of time pursuant to 37 CFR 1.136(1) and a $42 fee for an additional independent claim.

Respectfully submitted,

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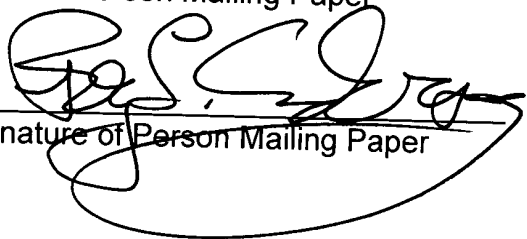
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